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Thailand

Grain and Feed Update

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Report Highlights:

TH5147 – Water supplies for dry season are the lowest in history. Farmers continued to plant off-season rice despite a Government ban. The rice export surge in October is expected to be temporary as Government has suspended its sales of food-grade rice from stocks. Post revised down MY2014/15 rice consumption due to the delay of the use of “rotten” rice for ethanol production.

Post:
Bangkok

Executive Summary:

Water supplies available for the dry season are historically low and as previously reported the Government has told farmers that irrigation for MY2015/16 off-season rice will not be available. However, around 1.5 million rai (0.24 million hectares) of off-season rice was reportedly planted in November despite the ban. Post's forecast of off-season rice cultivation remains unchanged at 7 million rai (1.1 million hectares) with rice production of around 2.6 million metric tons, half of which is expected to be planted in irrigated areas. This will result in a reduction of total MY2015/16 rice production to 16.4 million metric tons, down 15 percent from last year.

Thai rice exports surged to 1.2 million metric tons in October 2015. However, monthly rice exports for the rest of the year will likely slow down due to the suspension of sales from Government stocks.

Post's estimate of 2014/15 rice exports remains unchanged at 9 million metric tons.

MY2014/15 rice consumption is revised down by 0.5 million metric tons due to the delay of the sales of non-food grade rice stocks for ethanol production. The first tender of "rotten" rice on December 1, 2015 will be a trial sale of non-food grade rice to the industry.

Author Defined:

1. Lowest Water Supplies Available

According to the Royal Irrigation Department (RID), water supplies available for all uses (irrigation and household consumption) during the dry season from November 2015 thru April 2016 in the lower northern region and central plains are at historical low (around 4.2 billion cubic meters (Figure 1)). This is 35 percent lower than at the same time in 2014 and 64 percent lower than the 10-year average. Critically low water supplies reflect below-average cumulative precipitation and to some degree expanded urban demand. The Thai Meteorological Department (TMD) reported that cumulative rainfall in the northern region where major reservoirs are located was 17 percent below normal levels thru November 2015 (Table 2).

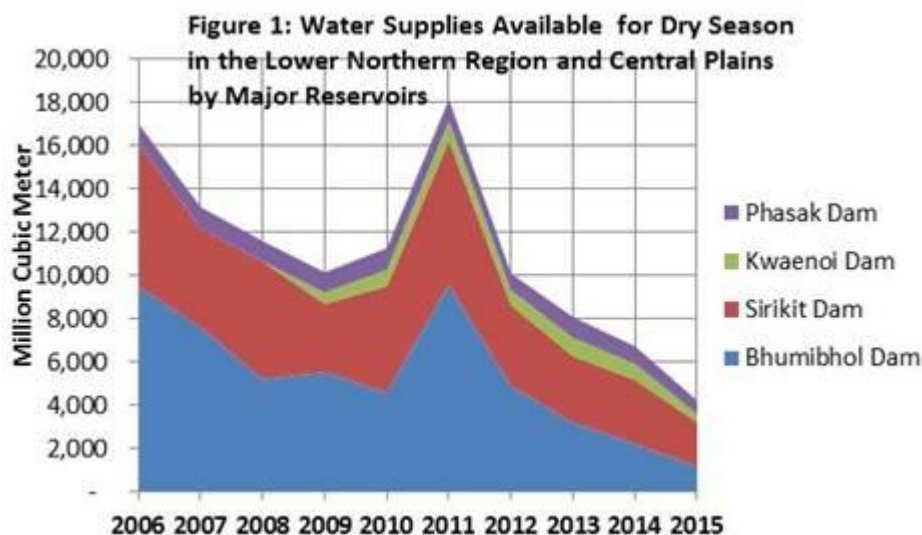


Table 1: Cumulative Rainfall in Thailand during January 1 - November 22, 2015

Unit: Millimeter

	North	Northeast	Central Plain	East	South		Nationwide
					East Coast	West Coast	
Normal Average (30 yrs avg: 1981-2010)	1,231	1,405	1,275	1,888	1,737	2,719	1,588
(30 yrs avg: 1981-2010) during January 1 - November 22, 2015	1,221	1,401	1,269	1,875	1,418	2,608	1,521
2010	1,280	1,428	1,438	1,776	1,507	2,433	1,547
2011	1,687	1,691	1,516	2,090	1,921	2,827	1,872
2012	1,250	1,219	1,364	1,967	1,351	3,150	1,555
2013	1,271	1,467	1,346	2,254	1,578	3,040	1,672
2014	1,115	1,367	1,045	1,701	1,242	2,673	1,415
2015	1,016	1,206	1,185	1,657	1,205	2,615	1,351
Difference from Normal Average	-205	-196	-84	-219	-214	7	-170
% Change	-16.8	-14.0	-6.6	-11.7	-15.1	0.3	-11.2
Difference from 2014	-99	-161	140	-45	-37	-58	-64
% change	-8.9	-11.8	13.4	-2.6	-3.0	-2.2	-4.5

Source: Royal Irrigation Department

This water supply will not be enough for “normal” MY2015/16 off-season rice irrigation. The RID has announced that it will reserve the water for household consumption (1.1 billion cubic meters) and ecological management (1.8 billion cubic meters) during the dry season. In addition, around 1.3 billion cubic meters is being reserved for use (primarily household consumption) after the expected start of the rainy season in May 2016.

The Government insists that the RID will strictly enforce its irrigation restrictions to curb MY2015/16 off-season rice cultivation to prevent a water shortage later in 2016. However, current data indicates that water usage is about 10 percent higher than planned due to illegal farm use. The RID has encountered public criticism from the military Government for its inability to control on farm water use.

While off-season rice cultivation is banned, the Government continues to support farmers in irrigated areas to grow crops that use less water. The RID will divert water supplies of around 400 million cubic meters from reservoirs in the western region to help maintain growing conditions for sugarcane, orchards and other horticultural crops in the central plains. This water supply will be enough for 0.7 million rai (0.1 million hectares).

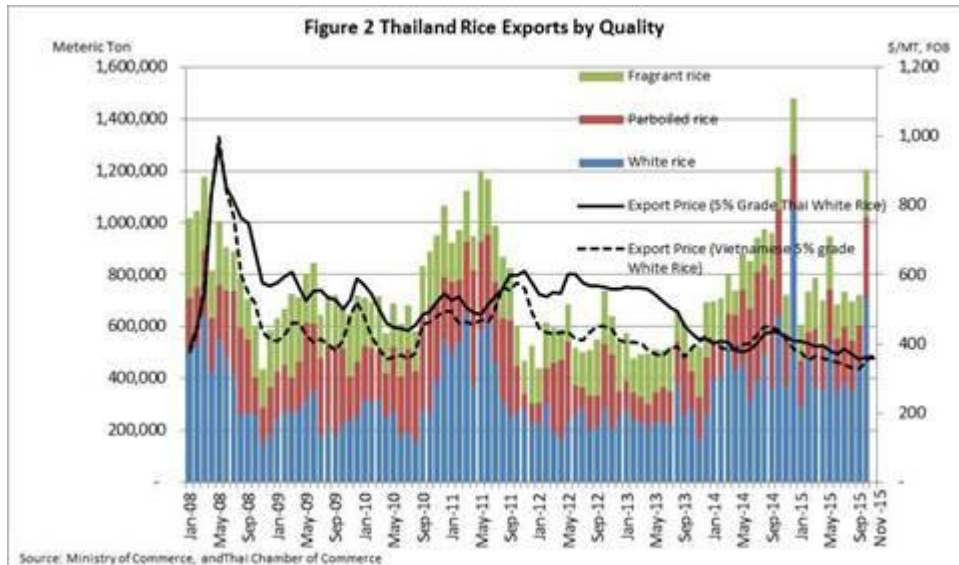
2. Off-Season Rice Began Amid Ban

Despite the ban on MY2015/16 off-season rice planting, the RID reported that around 1.5 million rai (0.24 million hectares, as of November 25, 2016) have been planted in irrigated areas, particularly in the lower northern region and central plains. This is a 17-percent reduction in planted areas from the same period last year.

Overall, Post expects that around 3.5 million rai (0.6 million hectares) will be planted in upstream areas and near multi-purpose canals. These forecasts are unchanged. Please see GAIN Report, TH5118 – Grain and Feed Update, September 2015. Also, off-season rice in non-irrigated areas of around 3.5 million rai (0.6 million hectares) is expected to be planted because it is located along river basins or on farms with private water availability. Therefore, total off-season rice cultivation is expected to be around 7 million rai (1.1 million hectares) with rice production of around 2.6 million metric tons (milled equivalent). This is a 47-percent reduction from last year. This will result in a reduction of total MY2015/16 rice production to 16.4 million metric tons, down 15 percent from last year. Moreover, MY2016/17 main-crop rice planting in the lower northern region and central plain will likely be delayed as irrigation will not be available until August 2016.

3. Exports Temporarily Surged in October

According to the Thai Custom Department, rice exports totaled 7.8 million metric tons during January – October 2015, down 11 percent from last year due to a reduction in white and parboiled rice exports. Exports of white and parboiled rice declined for the period 2 percent and 30 percent, respectively. This was mainly due to price competition from Vietnam and India. Export prices of Indian and Vietnamese white rice fell 10-15 percent from 2014 and have been \$40-50/MT cheaper than Thai white rice.



Despite a surge in Thai rice exports to 1.2 million metric ton in October 2015 (compared to an average of 730,000 metric tons over the past nine months), monthly rice exports for the rest of year are expected to slow down to 600,000 – 700,000 metric tons. The increase in October's rice exports reflected strong shipments of white rice to African countries and the Philippines. This white rice was mainly from the Government stocks which were reportedly sold at \$310-320/MT (5% grade white rice, FOB). The price was \$30-40/MT cheaper than Vietnamese rice which was sold at as high as \$350/MT in October. The upward price pressure on Vietnamese rice is reportedly due to its current outstanding sales/shipping program of 2 million metric tons under Government-to-Government agreements, mainly with the Philippines and Indonesia which were signed in October 2015. Vietnamese rice export prices reportedly continued to increase to \$370/MT in November 2015 due to its tighter supplies. However, this will not help Thai rice exports in the remaining months of 2015 and in early 2016 as the Thai Government has suspended sales of food-grade rice stocks in October 2015 in order to prevent falling domestic prices during the harvest peak of MY2015/16 main-crop rice. The Government announced that the new tenders for food-grade rice stocks will resume after the first quarter of 2016.

4. Rice Stocks Sale for Industrial Use is Likely in 2016

The Government is holding total rice stocks of around 13 million metric tons, of which 7 million metric tons are sub-standard food-grade rice which can be reprocessed for exports. The remaining stocks are non-food grade rice (4 million metric tons) and "rotten" rice (2 million metric tons). The Government planned to sell "rotten rice" for industrial use in July 2015 but delayed until December 2015 when the first public tender for "rotten" rice of 37,413 metric tons was issued. The delay is due to the complaints from rice industries that "rotten rice" may include good food-grade rice that could be resold in the food and feed chain. This first tender is a trial sale of "rotten" rice to the industry. The Ministry of Commerce will closely monitor the use of this rice by the industry to ensure that it will not be resold in the food/feed market.

Most of the bidders in the December 1st tender were multi-feed stock and cassava-only stock ethanol plants who reportedly offered the highest bids compared to bidders from power generation plants. The bids reportedly ranged from 5,000 to 5,400 baht per metric ton (\$140-150/MT) which

are far below the Government's purchase prices of around 22,730 baht per metric tons (\$637/MT, milled basis) under the previous government pledging programs. If this tender is successful, larger tenders are expected in 2016. Source expects that demand for "rotten" rice in ethanol production will be around 0.5 million metric tons in 2016.

Post revised down MY2014/15 rice consumption by 0.5 million to 11.2 million metric tons from the estimate in June 2015 (Please see GAIN Report, TH5082 – Grain and Feed Update, June 2015) due to the delay of sales of non-food grade rice stocks for ethanol production. However, MY2015/16 rice consumption forecast remains unchanged.

Appendix Table

Table A1: Thailand's Rice Production, Supply and Demand

Rice, Milled	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10920	10920	10270	10643	9650	9650
Beginning Stocks	12808	12808	11724	11724	10074	11228
Milled Production	20460	20460	18750	19404	16400	16400
Rough Production	31000	31000	28409	29400	24848	24848
Milling Rate (.9999)	6600	6600	6600	6600	6600	6600
MY Imports	300	300	300	300	300	300
TY Imports	300	300	300	300	300	300
TY Imp. from U.S.	2	0	0	0	0	0
Total Supply	33568	33568	30774	31428	26774	27928
MY Exports	10969	10969	9000	9000	9500	8000
TY Exports	10969	10969	9000	9000	9500	8000
Consumption and Residual	10875	10875	11700	11200	12000	12000
Ending Stocks	11724	11724	10074	11228	5274	7928
Total Distribution	33568	33568	30774	31428	26774	27928

(1000 HA) ,(1000 MT)

Table A2: Thailand's Rice Paddy Area, Production, and Yield									
	2013/14			2014/15			2015/16 (November 2015 Forecast)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectare)									
Cultivation	9,288	2,100	11,388	9,288	1,940	11,228	9,096	1,108	10,204
Harvest	8,920	2,000	10,920	8,900	1,743	10,643	8,709	0,941	9,650
Production (million ton)									
Rough	22,400	8,600	31,000	22,000	7,400	29,400	20,973	3,875	24,848
Rice	14,784	5,676	20,460	14,520	4,884	19,404	13,842	2,558	16,400
Yield (ton/hectare)	2,511	4,300	2,839	2,472	4,245	2,762	2,408	4,120	2,575

Source: FAS Estimate